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# THE MERCHANT MARINE INVESTIGATION.

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## I.

### THE MERCHANT MARINE COMMISSION.

THE decline of the American merchant marine from a position of maritime supremacy to a position of comparative insignificance is one of the commonplaces of American economic history. It is encouraging to note that at no time since the disappearance of the flag from the high seas, however, has there been more general demand for the revival of the merchant marine than at present. At the last session of Congress, no less than three measures were enacted in the interest of American shipping. One of these requires all supplies for the use of the army and the navy to be carried in American vessels; another extends the application of the coasting-trade laws to all trade between the United States and the Philippines; the third created a commission to consider and recommend legislation for the development of the merchant marine and the amelioration of the condition of those engaged in the seafaring trades.

The law creating the Merchant Marine Commission provided that it should consist of five members of the Senate and five Representatives, to be appointed by the presiding officers of each House, respectively, and that at least four of the ten members should belong to the minority party. Twenty thousand dollars were appropriated to defray the necessary expenses of conducting the inquiry. In spite of the large minority representation allowed on the Commission, and notwithstanding the fact that the purpose of the law was simply to procure information for the intelligent guidance of Congress, the bill encountered fierce opposition and was passed by a narrow majority, after the rejection of an

amendment intended to prohibit the Commission from making any recommendation which should contemplate the granting of subsidies or bounties. The Commission as constituted consisted of Senators Gallinger of New Hampshire, chairman, Lodge of Massachusetts, Penrose of Pennsylvania, Mallory of Florida, and Martin of Virginia; and Representatives Grosvenor of Ohio, Minor of Wisconsin, Humphrey of Washington, Spight of Mississippi, and McDermott of New Jersey. Beginning on May 22nd, the Commission conducted hearings at New York, Philadelphia, Baltimore and Boston on the Atlantic coast; at Chicago, Detroit, Cleveland and Milwaukee on the Great Lakes; at San Francisco, Seattle and Tacoma on the Pacific coast; and at Washington, Galveston, New Orleans, Pensacola, Brunswick, and Newport News in the South. Altogether, about three hundred persons appeared before the Commission, and either gave oral testimony or submitted written statements. No reflection on the character of the investigation is intended when it is said that nine-tenths of those who appeared before the Commission were advocates of government aid in some form or other. Presidents and agents of ship-building and marine transportation companies; representatives of boards of trade, maritime associations and commercial bodies; importers and exporters, manufacturers, navigation experts and representatives of various maritime trade-unions—constituted the great bulk of the witnesses, and they all had the same story to tell of the disappearance of the American flag from the high seas, of the decadence of the ship-building and shipping industries, and of the unattractiveness of seafaring life under present conditions. In the present article an attempt will be made to describe the present status of the merchant marine, the schemes suggested for its rehabilitation and the arguments advanced in favor of government subsidies by those who testified before the Commission.

## II.

### PRESENT STATUS OF THE MERCHANT MARINE.

According to the last report of the Commissioner of Navigation, about nine per cent. of the imports and exports of the United States are now being carried in vessels flying the American flag, and a few years ago the proportion was even lower. In 1826, the amount carried was ninety-two per cent. The volume of foreign

tonnage carried in American bottoms to-day is actually smaller than it was half a century ago. The decline began about 1828, mainly as a result of the abandonment by the United States of the policy of discriminating tariff duties and tonnage dues; it was accelerated by the Civil War, which caused a falling off of about one-half; while various economic causes since the war have contributed still further to reduce the carrying-trade to its present insignificant proportions. In 1903, of 423 steamships sailing out of the harbor of New York for foreign ports only twenty-eight, or about seven per cent., carried the American flag. Two hundred and sixty-five sailed for European ports, only six of which were built in American yards. Seventy-one were bound for ports in Cuba, the West Indies and Mexico, but only a paltry twenty-two were of American registry, notwithstanding the fact that the carrying-trade of these countries should naturally belong to the United States by reason of their geographical proximity. No vessel carrying the American flag cleared for an Asiatic, an African or a South-American port. The record of other large port cities of the United States is equally discouraging. Last year, of 50,000,000 bushels of grain exported from the port of Baltimore, not over 10,000 bushels were carried in American bottoms. In the year 1901, of ninety-two cargoes of wheat exported from Tacoma, only two small cargoes of 10,000 bushels were carried in American vessels. The bulk of it was carried by British, German, Norwegian, Russian and Italian ships. Illustrations of this character, showing the comparative insignificance of the American carrying-trade might be multiplied indefinitely. The Hon. John Barrett, Minister of the United States to Panama, testified before the Merchant Marine Commission at Chicago (Hearings, vol. II., p. 682) that, in the course of a recent journey around the world, he travelled 75,000 miles, including side trips, without seeing a single large American merchant vessel engaged in interocean traffic, although he saw in every port visited the flags of England and Germany, and in many of them the flag of Japan.

With the decline of the carrying-trade has gone the decay of the ship-building industries. Nearly every ship-builder who appeared before the Merchant Marine Commission stated that, if it were not for the Government work he was doing, his yards would be practically idle. Cramp's, the largest ship-building concern in

the United States, which ordinarily employs 8,000 men regularly, was reported in July, 1904, to be running with only about 2,000 men. The president of the New York Ship-building Company of Camden, New Jersey, stated that his yards were running with a greatly reduced force, and he asserted that, unless new work could be found at an early date, it would be necessary to discharge all his men. Mr. Sewall, of the firm of Arthur Sewall and Company, Bath, Maine, one of the oldest and at the present time the largest concern in the country for the construction of sailing vessels, declared that his plant was the only survivor of a long line of ship-building establishments which had made the city of Bath famous for a hundred and fifty years, and, what was worse still, his yards had been practically closed down for more than a year for lack of orders. Substantially the same story was told by the representatives of various other ship-building concerns: shipyards practically idle for want of work, others actually closed down, others in the hands of receivers, still others kept open mainly because of Government work, which, according to the testimony of Rear-Admiral Bowles, none of them could honestly be doing for the price paid. None of them is building ships for the foreign market; indeed, since 1901 not a single keel has been laid in an American shipyard for a steel sea-going vessel.

### III.

#### REASONS ALLEGED FOR EXISTING CONDITIONS.

As to the causes which are responsible for existing conditions, there was a substantial concurrence of opinion among those who testified before the Commission. In the first place, it was shown beyond question that it costs more to build ships in American yards than it does abroad. This is due to two causes, namely, the high price of ship-building material in this country, and the high wages paid for labor. As a result of the operation of the protective tariff, the American ship-builder at the present time is compelled to pay from \$35 to \$40 per ton for steel plates which cost the English builder on the Clyde but \$27 per ton. It is true that, under existing laws, the American builder is allowed to import free of duty steel intended for use in the construction of ships for the foreign trade; but, on account of the practical difficulties involved, it has not generally been found expedient to take advan-

tage of the privilege, and, consequently, American builders have preferred to use the higher-priced American steel. Where imported steel is used there is always the danger of delay, which in the case of some contracts may be fatal; there is also the possibility that the plates may be bent and distorted in transit; and, more important still, no ship constructed wholly or in part of foreign material can be used in the coasting-trade. Now, it frequently happens that, in dull seasons when foreign trade is light and freights low, it is desirable to transfer vessels temporarily from the foreign service to the coastwise-trade until conditions have improved. Consequently, the demand for vessels which cannot be so transferred upon emergency is considerably lessened. The testimony of the ship-builders was unanimous, that the cost of materials ranges from forty to fifty per cent. higher in America than in Europe. Mr. C. H. Cramp testified that in the construction of a 12,000-ton ship the American handicap under this head alone was not less than \$150,000.

Likewise, the cost of labor in American shipyards is from thirty to sixty per cent. higher than on the Clyde or in the Scandinavian yards. Some of the ship-builders who testified even asserted that the difference was as much as eighty per cent., or even one hundred per cent., in some cases, while none of them put it below twenty-five per cent. Many instances were cited in proof of these statements. Thus, at the Union Iron Works of San Francisco, machinists receive an average of \$19.38 per week; the average pay of machinists in twelve British yards is \$9.69 per week. The weekly pay of boiler-makers in the two countries is \$19.74 and \$9.36, respectively; and of ship-carpenters \$22.14 and \$9.88, respectively. The following table of comparative wages of crews for a 4,000-ton tramp steamer in 1898 was put in evidence:

|                       | English. | American. |
|-----------------------|----------|-----------|
| Captain .....         | \$100    | \$200     |
| Mate .....            | 60       | 90        |
| Second mate .....     | 40       | 75        |
| Third mate .....      | 30       | 60        |
| Chief engineer .....  | 80       | 150       |
| Second engineer ..... | 60       | 90        |
| Third engineer .....  | 40       | 75        |
| Total.....            | \$410    | \$740     |

The extent of this handicap is more easily appreciated when it is remembered that the cost of labor amounts to from fifty-five

to seventy-five per cent. of the total cost of construction, according to the type of the ship. Of course, the increased cost of labor in American shipyards is to some extent offset by the superior skill of the American workman and the larger output of his labor, although this was denied by Mr. Cramp and other builders.

Taking the cost of material and labor together, it appears from the testimony that the total expense of construction in American yards is from thirty to fifty per cent. higher than in foreign yards. One well-known ship-owner, who asked for tenders for the construction of a 7,000-ton tramp steamer, stated that the best offer made by an American builder was more than twice as high as the best British offer. An owner of steamships on the Pacific Ocean asked for tenders for the construction of a foreign steamer. The best American offer was \$380,000, whereas a ship-builder on the Clyde took the contract for \$200,000 with thanks. Many other instances of this character are to be found in the several volumes of testimony taken by the Merchant Marine Commission.

Finally, the foreign builder possesses an advantage over the American builder in the fact that his business is "standardized." The demand in Europe for ships is so large that it has been found possible to restrict the work of a single yard to the construction of ships of a particular type, thus effecting a gain in both time and skill. One yard builds large cargo steamers; another, high-speed vessels; another, torpedo vessels; another, small craft; and so on. In the United States, the volume of business has not been large enough to permit of this specialization, and, as a consequence, it is not an uncommon spectacle to see in one yard a battle-ship, a cruiser, a light-ship, a tramp steamer and maybe a dredge or a ferryboat all under construction at one time.

The position of the American ship-owner, if we may believe the testimony, is but little if any better than that of the ship-builder. In order to secure American registry, he must buy his ships from the American yard and pay the high price which the American builder is compelled to charge. Even if it were otherwise and he were allowed to buy in the foreign market and operate under American registry, he would still be unable to compete successfully with the foreign carrier for two reasons: first, because it costs more to man and victual a ship under the American flag than it does under any other, and, second, the foreign carrier is

frequently aided by a subsidy or other grant from his government. The testimony of the shipping interests was practically unanimous that the extra cost of operation was not less than thirty-three and one-third per cent., while some asserted that it was much more. Thus, whereas the average pay of sailors under foreign flags ranges from \$16 to \$20 per month, it is from \$25 to \$35 under the American flag. To give a few illustrations: The master of the American steamship "Pleiades" receives \$200 per month, while the corresponding officer on the British steamer "Masconomo" receives \$121 50. Taking the average pay of the entire crews of the American liner "St. Louis" and the "Kaiser Wilhelm der Grosse," we find it to be \$29 75 per month in the case of the American vessel and \$15 43 in the case of the German steamer. Other illustrations, almost without limit, could be cited.

It is a singular fact that foreign sailors refuse to serve under the American flag except at American wages, although the accommodations on American vessels are acknowledged to be superior to those of foreign ships. A Swedish or Norwegian sailor will ship under his own flag for \$14 or \$15 per month, but he demands \$25 or \$30 for service on an American vessel. One of the ship-owners who testified before the Commission stated that he once operated a Norwegian and an American vessel on the same line, both vessels sailing from the same port and being engaged in exactly the same service. Ascertaining that the crew of the Norwegian vessel was receiving only about half the wages of the American crew, he determined to try to ship a crew for the American vessel at the Norwegian scale of wages; but he found that the sailors positively and unhesitatingly declined to serve on the American vessel for less than the American scale of wages. Another ship-owner who operated in the same line vessels under both British and American flags had a similar experience.

The cost of operating vessels under the American flag is further increased by the requirement of the law that all officers above the rank of "watch" shall be American citizens, that only licensed mates shall be employed and that no payment of advance wages shall be allowed. Vessels under foreign registry are allowed to pick up crews wherever they may be found, without restriction as to allegiance or qualification; and, by paying a month's wages in advance it is possible to secure them at less wages than the American carrier has to pay. Nevertheless it is

still cheaper to employ foreign crews, and so far as the law permits this is frequently done despite its alleged un-Americanism.

Other ship-owners have preferred to forego the advantages of American registry and have transferred their vessels to foreign flags, in order to find relief from the illiberal navigation laws of the United States, and more especially to be able to secure crews at the foreign rate of wages. This was the case, for example, with the American Steamship Company, whose vessels were built in American yards and operated under the American flag, "until driven therefrom," says its president, "by the overpowering competition of foreign built and manned vessels."

Finally, if the cost of construction and operation were equalized, either by legislation or change of economic conditions, the American carrier would still be at a disadvantage, on account of the substantial aid which his foreign competitor receives in the form of subsidies or bounties. The governments of at least six competing nations aid their merchant marine by the grant of subsidies in one form or another. As far as can be ascertained, the amount is distributed annually about as follows: Great Britain, \$6,000,000; France, \$8,000,000; Germany, \$2,000,000; Italy, \$2,800,000; Austria-Hungary, \$1,700,000; Japan, \$3,492,000. In competition with ships thus constructed out of low-priced material and constructed and operated with cheap labor, and which are, in addition, the recipients of government subsidies, American vessels have, of course, made a poor showing. This is well illustrated by the course of the Trans-Pacific trade, which a few years ago was carried mainly in American bottoms. Then came a fleet of subsidized British, French and Japanese ships into the Pacific Ocean; the freight rates on wheat, and other products, were cut to a point below the cost of operating American vessels, and the latter were consequently driven from the field. In the same way British, Swedish and Norwegian vessels have secured the carrying trade in sugar and fruit between the United States and the West Indies.

#### IV.

##### REMEDIES SUGGESTED.

The testimony of the shipping interests was practically unanimous that the only effective means of restoring the merchant

marine was some kind of legislation which would bring about an equalization of the cost of construction and operation and, in addition, counteract the effect of the foreign subsidies. There was, however, a wide diversity of opinion as to what form such legislation should take. The more important schemes suggested were the following: removal of the tariff on all ship-building material; the admission of foreign ships to American registry ("free ships"); discriminating tariff duties and tonnage dues; and direct aid from the Treasury in the form of subsidies or bounties. It is purposed to explain briefly these several schemes in the order mentioned.

1. *Free ship-building material.* Under the existing tariff law, steel is shipped to England and sold there at \$10 or \$12 per ton less than the price for which it can be bought in the United States. It is true, however, as already stated, that a rebate is allowed on steel imported for use in the construction of ships for the foreign service; but, on account of practical difficulties, ship-builders have not generally found it expedient to avail themselves of the privilege. It is claimed by some builders that, if steel for ship-building purposes were placed on the free list, there would be a decided reduction in the cost of domestic steel, thus making it possible for the American builder to construct ships at less cost both for the coasting trade and the foreign service. The most ardent advocate of this scheme was Mr. Lewis Nixon, president of the New York Ship-building Company. Admiral Bowles, president of the Fore River Steamship Company, however, did not attach much importance to it, and asserted that the advantage to be derived would be inconsiderable, although it might, he said, lead to a more general use of steel ships in the coasting trade. And this was the general opinion of those who expressed themselves on the subject.

2. *"Free Ships."* According to this scheme, the American carrier is to be allowed to purchase ships in the foreign market and operate them in the foreign trade under American registry, leaving to American yards the monopoly of constructing ships for the coasting trade. Of course, there is nothing in the law at present to prevent citizens of the United States from purchasing ships in the foreign market and operating them in the foreign trade, provided such vessels are sailed under a foreign flag; and, as the cost of operation is less under the foreign flag, some have done so.

Several serious objections were urged against the "free ship" policy. In the first place, it was the overwhelming testimony of the ship-builders that the admission of foreign-built ships to American registry would result in the ruin of American yards. The American carrier would buy abroad in the cheapest markets, leaving to the home builder only the construction of vessels for the coasting trade. The only possible benefit that he could derive from such a policy would be an increase in the amount of dry-docking and repairing which might come to his yard in consequence of the enlargement of the merchant marine. At present, most of the foreign-built ships owned by Americans are docked and repaired in their home ports, where the cost is lower; but, if admitted to American registry, this work might be required to be done in American yards. The second objection urged against the "free ship" scheme was that it is insufficient in itself to restore the merchant marine. With cheap ships the American carrier would still be handicapped, as compared with his foreign competitor, by the extra cost of operation and the effect of the foreign subsidy. Even if it were otherwise, the merchant fleet thus created would consist of American ships only in name and registration. Its only value would be the encouragement which it might give to the "ship-owning habit." Nevertheless, several large ship-owners—notably, Mr. James J. Hill and Mr. F. W. Taylor—were of the opinion that the "free ship" policy would be effective, although Mr. Hill doubted the wisdom of such a policy and preferred another plan, while Mr. Taylor coupled his statement with certain conditions.

3. *Discriminating import duties and tonnage dues.* According to this plan, it is proposed to levy a discriminating tariff on all goods imported into the United States in foreign vessels, or a discriminating tonnage duty on such vessels, or both. It is a proposition to return to the policy followed by the United States before 1828, when nine-tenths of the foreign trade of the United States was carried in American vessels. The ship-builders and ship-owners were at one in the opinion that it would be the means of transferring the bulk of the carrying trade to American vessels; but a good many opposed it on account of the practical difficulties likely to arise in carrying out the scheme. To begin with, the United States under the act of 1828 has entered into maritime reciprocity treaties with some thirty-odd countries, whereby it has re-

nounced the right to lay discriminating duties on goods imported in the ships of such countries. True, the government has the right to denounce these treaties and to terminate them upon one or two years' notice, but there is a strong belief that abrogation by the United States at this time would lead to retaliations, possibly to international complications and a general unsettling of our commercial relations. Apart from these possible dangers, there is the practical difficulty of equitable apportionment. Such a form of aid operates very unequally upon different ships, since it does not take into consideration the length of the voyage or the nature of the cargo. The rebate on a cargo of tobacco from Cuba would be the same as on one from the Orient. The amount on a cargo of cement, as compared with one of silk, would be insignificant. Moreover, forty-four per cent. of the goods imported into the United States are non-dutiable. American vessels bringing such cargoes would have no advantage over their foreign competitors. It would be necessary, therefore, to abolish the free list, and impose a duty on all goods imported in foreign vessels. But, as the bulk of the imports now on the free list are raw materials, the proposition to tax them for the benefit of the merchant marine would be certain to encounter strong opposition. A modification of this plan, which has found much favor with the maritime classes, provides for the application of the discriminating feature to the indirect carrying-trade only. That is to say, it would apply only to goods imported in foreign vessels from countries other than those whose flags they carry. This plan would be less open to international objection, and would probably transfer to American vessels practically all the carrying-trade between the United States and those countries that have no shipping of their own—such as the West Indies, the Latin-American States and some of the Oriental countries. Evasion of the law upon the part of foreign carriers by the transfer of flags could easily be provided against. Among the ship-builders who urged the policy of discrimination as regards foreign vessels engaged in the indirect trade, was Mr. Charles H. Cramp, who thought it would be one of the best means of reviving the merchant marine—better, in fact, than direct subsidies, since it would excite less popular hostility, and would therefore be more likely to be retained permanently. The scheme has also been advocated by a number of the Republican leaders in the Senate; it received the endorsement of

fourteen Republican State Conventions in 1896 and of the Republican National Convention of the same year, and it was favored by Mr. McKinley in his first letter of acceptance. It seems, therefore, to be the most generally approved plan which has been suggested.

4. *Direct Subsidies or Bounties.* The advocates of this plan propose to restore the merchant marine by means of direct grants, in some form, from the national Treasury. It is, of course, in great favor with the ship-builders and ship-owners. For the protection of the ship-builders they would give a construction bounty on ships built in American yards and intended for the foreign trade only. For the protection of the ship-owner and operator, a subsidy equal at least to the difference between the cost of operation under the American and foreign flags is proposed. Others would allow no bounty directly to the builder, but would pay the entire amount to the ship-owner. The Maritime Association of New York urged the extension of the postal subsidy act of 1891, the rate of compensation thereunder to be determined on the basis of gross registered tonnage, speed, design of construction and mileage sailed. In addition, it proposed a general tonnage and mileage subsidy to owners of freight-vessels engaged in the foreign trade. This was essentially the plan embodied in the Hanna-Payne and Frye bills, and is the one most strongly advocated by the ship-building interests. Mr. James J. Hill, of the Great Northern Steamship Company, was apparently the only ship-owner of note who thought that subsidies were wrong in principle and a species of favoritism. Moreover, he was of the opinion that, unless the amount of the subsidy was very large, and unless there was assurance of permanency, it would be unavailing. Mr. Hill's own plan was a bounty on exports shipped in American vessels or an export tonnage duty, neither of which, it would seem, differs in principle from the other form of subsidy which he regarded as so objectionable. The export bounty was also urged by the presidents of the Downey-Townsend and the New York Ship-building Companies, the latter insisting that the bounty should be allowed wherever a voyage was made, even though the ship carried no cargo on its outward trip, and irrespective of whether it was a sailing or a steam vessel.

The report of the majority of the Commission presented to Congress on January 5th recommended a combination of several of the

above-mentioned schemes, namely: an operating "subvention" of \$5 per ton annually, an extension of the postal subsidy act of 1891 so as to apply to the carrying of the mails to the Latin-American countries and the Orient, and a tonnage tax on foreign vessels entering the ports of the United States. The amount of the subsidy as estimated by the Commission is not to exceed three million dollars for the first year, and a considerable portion of this is to be devoted to the payment of naval volunteers and apprentices. The minority members of the Commission made a separate report recommending discriminating import duties and a reduction of the tariff on ship-building materials which, it declared, was the greatest impediment to the shipping interests of the country.

## VI.

### ARGUMENTS FOR GOVERNMENT AID.

The main arguments presented to the Commission in support of legislation for the revival of the merchant marine may be grouped under three heads. To begin with, it is asserted that the transportation of American imports and exports in American bottoms would mean an annual saving of about \$200,000,000 now paid to the owners and operators of ships flying foreign flags. Most of this amount goes abroad, and thus constitutes a large drain on the resources of the country, whereas it might as well be kept at home and turned into the pockets of American ship-builders, ship-owners and seamen. In the next place, it is contended that the rehabilitation of the merchant marine would be the means of extending American trade, through the opening of new channels of commerce and the discovery of new markets. A large merchant marine will mean greater competition and, hence, lower transportation rates. It will mean the establishment of new lines of steamers between the United States and parts of the world where the American flag is now rarely seen. To take a single illustration, our exports to South America are only about one-third of our imports, a condition mainly attributable to the lack of first-class steamship lines between the United States and those countries. There is not a single first-class line of American steamers between the United States and Buenos Ayres, although there are half a dozen lines between that port and European ports. The result is that the bulk of the imports of lower South America

come from Europe and not from the United States. Lastly, and this is the most important argument of the subsidy advocate, the national defence requires the rehabilitation of the merchant marine. However powerful the navy may be in point of battle-ships, it is useless without colliers, transports, scouts, despatch vessels, etc. Is it not poor economy, the subsidy advocates ask, for the Government to build these auxiliary vessels and maintain them in idleness when, by suitable encouragement, private capital may be induced to build them under conditions which will make them easily convertible into war-vessels at slight expense, and available for the use of the Government upon the outbreak of war? If they are neither constructed by the Government for the use of the navy, nor liable to impressment from the merchant marine, the Government will be compelled to depend upon purchases in the foreign market. The impolicy of this was shown at the outbreak of the war with Spain in 1898. The Government was compelled to hunt the seas for transports and colliers, and, after considerable anxiety and delay, it succeeded in purchasing or chartering some forty ships from foreign nations. The American vessels liable to impressment under the mail subsidy act were taken over by the navy without delay, but the number was inconsiderable. One line, which is a beneficiary of the mail subsidy to the extent of \$200,000 per year, furnished the government with nine vessels and 500 seamen.

Besides furnishing the navy with auxiliary vessels, the merchant marine serves as a nursery of seamen. Whether built at home or purchased abroad upon emergency, war-vessels must be manned by experienced and trained seamen. Unlike volunteers for the army, they cannot be drawn from the farm, the shop or the mine by proclamation. The weakness of the United States in this respect is well known. More than half of the seamen who sail under the American flag are foreigners, and only about sixty per cent. of those who owe allegiance to the flag are native-born.

To recapitulate, then, the grounds relied upon by the advocates of subsidies are the extension of American commerce, the saving of freights on the foreign trade, an enlargement of the opportunities for American capital and labor and the security of the national defence. Largely as a result of the protective tariff system, this country leads all others in manufacturing and in the quantity and value of its exports; while, mainly through neglect or

unwise legislation, it stands near the foot of maritime nations. It is time to inquire whether the party of protection is not guilty of gross inconsistency when it maintains the protective system as regards manufacturing, but permits free trade in navigation; when it protects the American factory-owner, but denies the same protection to the American shipyard by permitting the foreign ship to compete on equal terms with the American vessel in the transportation of American products; and when it makes it possible for the American steel trust to furnish the English ship-builder with ship-building material at one-third less than the price the American has to pay. It now seems clear that Americans can no longer build and operate ships profitably, under the existing laws, in competition with foreigners. It lies within the power of Congress to change these conditions to a large extent. The relief need not be in the form of subsidies or bounties. The removal of the tariff on ship-building material, the abolition of the restrictions with regard to the employment of seamen, possibly the freedom of purchase in foreign yards, certainly discriminating duties or tonnage dues, are some of the remedies short of direct grants from the Treasury. The subsidy scheme is too objectionable—in the popular mind, at any rate—to make its adoption a permanent feature of American policy; and, besides, there are practical difficulties in the way of its equitable administration. The hearings of the Merchant Marine Commission show that there are still some who question the constitutionality of such legislation. In these days, however, when at one session Congress votes half a million dollars to exterminate an insect in one of the States, and sets aside \$750,000,000 for the irrigation of arid lands in certain other States, and at another makes an outright gift of \$5,000,000 to an Exposition Company; when it votes \$60,000,000 at one session to improve rivers and harbors; and when it grants bounties on the production of sugar and on the taking of fish, it is hardly likely that its right to appropriate money for the upbuilding of the merchant marine, with a view to extending American commerce and securing the national defence, will be seriously questioned on constitutional grounds.

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